

Pursuant to Article 183 of the Banking Law of Republika Srpska ("Official Gazette of Republika Srpska", No. 04/17, 19/18, 54/19, 63/24 and 45/25), Article 5, Paragraph 1, Item b), Article 20 and Article 37 of the Law on the Banking Agency of Republika Srpska ("Official Gazette of Republika Srpska", No. 59/13 and 04/17), and Article 6, Paragraph 1, Item b) and Article 19, Paragraph 1, Item b) of the Statute of the Banking Agency of Republika Srpska ("Official Gazette of Republika Srpska", No. 63/17), the Management Board of the Banking Agency of Republika Srpska, at its 24th session, held on 25 February 2026, adopted the

DECISION
ON AMENDMENTS TO THE DECISION
ON
SUPERVISORY REVIEW AND EVALUATION PROCESS OF BANKS

Article 1

- (1) In the Decision on supervisory review and evaluation process in banks No. UO-261/21 as of 1 November 2021, UO-43/23 as of 26 December 2023, UO-135/24 as of 25 December 2024 and UO-225/25 as of 3 December 2025 ("Official Gazette of Republika Srpska", No. 103/21, 06/24, 115/24 and 106/25), in Article 5, Paragraph 3, Item 1), the wording: "risk" shall be added before the wording: "short-term".
- (2) In Article 5, Paragraph 3, Items 2) and 3) before the wording: "long-term", the wording: "risk" shall be added.
- (3) In Article 5, in the tabular overview of Paragraph 5, in the column Score 1, column Opinion: "The business model and profitability pose a low level of risk to the viability of the bank.", in the column Criteria in line 3, the wording: ", and in doing so, takes into account" shall be replaced by the wording: "taking into account its", and the wording "source" shall be added before the wording "funding".

Article 2

- (1) In Article 6, Paragraph 3, Item 2), after the wording: "risks to which the bank is exposed", the semicolon shall be deleted and a comma and the wording: "as well as the implementation of the stress testing;" shall be added.
- (2) In Article 6, Paragraph 3, Item 6), after the wording: "risk management", the semicolon shall be deleted and the wording: "and are gender neutral;" shall be added.
- (3) In Article 6, in the table overview of Paragraph 5, in the column Score 1, column Opinion: "Deficiencies in the management system and risk management system pose a low risk to the viability of the bank", in the column Criteria, after line 6, new lines 7 and 8 shall be added and read as follows:

„- The bank has adopted and is implementing a policy of diversity of members of the management body and measures have been implemented in accordance with the defined time period to achieve the goal of representation of men and women in the bank's management body.

- The time commitment of the members of the bank's management body is adequate.“

The previous lines 7-11 shall become lines 9-13.

- (4) In Article 6, in the table overview of Paragraph 5, in the column Score 2, column Opinion: "Deficiencies in the management system and risk management system pose a medium-low risk to the bank's viability", in the column Criteria, after line 6, new lines 7 and 8 shall be added and read as follows:

„- The bank has adopted and is implementing a policy of diversity of members of the management body and measures have been implemented to a great extent in accordance with the defined time period to achieve the goal of representation of men and women in the bank's management body

- - The time commitment of the members of the bank's management body is adequate.“

The previous lines 7-11 shall become lines 9-13.

- (5) In Article 6, in the table overview of Paragraph 5, in the column Score 3, column Opinion: "Deficiencies in the management system and risk management system pose a medium-high risk to the bank's viability", in the column Criteria, after line 6, new lines 7 and 8 shall be added and read as follows:

„- The bank has not adopted a policy on the diversity of members of the management body, nor have measures been implemented to achieve the goal of representation of men and women in the bank's management body.

- There are doubts about the adequate time commitment of members of the management body.“

The previous lines 7-11 shall become lines 9-13.

- (6) In Article 6, in the table overview of Paragraph 5, in the column Score 4, column Opinion: "Deficiencies in the management system and risk management system pose a high risk to the bank's viability", in the column Criteria, after line 6, new lines 7 and 8 shall be added and read as follows:

„- The bank has not adopted a policy on the diversity of members of the management body, nor have measures been implemented to achieve the goal of representation of men and women in the bank's management body

- Inadequate time commitment of members of the management body is evident.“

The previous lines 7-11 shall become lines 9-13.

Article 3

In Article 7, Paragraph 2 shall be amended and read as follows:

„(2) For the purpose of applying Paragraph 1, Item 1), Sub-item 4) of this Article, market risk shall be deemed not to be significant if the volume of on- and off-balance sheet transactions in the trading book is equal to or less than both of the following requirements, based on an assessment conducted on a monthly basis using data as of the last day of the month:

- 1) 5% of the bank's total assets;
- 2) 50 million EUR (or equivalent in domestic currency).“

Article 4

In Article 10, Paragraph 2, the wording: "reputational risk" shall be deleted and replaced with the wording: "legal risk, compliance risk, outsourcing risk, model risk."

Article 5

Article 11 shall be amended and read as follows:

„Interest rate risk in the banking book

Article 11

- (1) The Agency shall assess interest rate risk in the banking book, including hedging instruments, regardless of their recognition and measurement, and regardless of the recognition and measurement of losses and gains, for accounting purposes.
- (2) The assessment of interest rate risk in the banking book shall include:
 - 1) an analysis of the economic value measure, i.e. the impact of interest rate changes on the present value of the bank's expected net cash flows and
 - 2) an analysis of the net interest income measure (i.e. the earnings measure), i.e. the impact of interest rate changes on expected future profitability in a given period.
- (3) The Agency shall assess the type and level of interest rate risk in the banking book to which the bank is or could be exposed, which shall include an assessment of the nature and structure of the bank's interest rate risk profile, the results of the supervisory test of atypical values and the results of scenario analysis and stress testing.

- (4) When assessing interest rate risk in the banking book, the relevance and significance of at least the following subcategories of that risk shall be considered: deviation risk, basis risk and option risk.
- (5) The main indicator used when assessing the level of interest rate risk in the banking book shall be: the ratio of the change in the economic value of capital in the adverse (worst-case) scenario to Tier 1 capital, and the ratio of the change in net interest income in the adverse (worst-case) scenario to Tier 1 capital, including internal indicators used by the bank to monitor interest rate risk in the banking book. The assessment shall also consider the indicators of interest rate risk in the banking book of peer banks, as well as indicators at the level of Republika Srpska banking sector.
- (6) When assessing the management system of interest rate risk in the banking book, i.e. the control of that risk, the following shall be assessed:
- 1) management, i.e. the method of organisation of the management function of interest rate risk in the banking book,
 - 2) the risk appetite for interest rate risk in the banking book, including an assessment of the compliance of the bank's strategies and policies and other internal acts defining risk tolerance with the business objectives and long-term interests of the bank,
 - 3) managing interest rate risk in the banking book and the internal control system,
 - 4) the internal audit function, i.e. the staff capacity of the internal audit function to provide an assessment of managing interest rate risk in the banking book, the quality of audit reports and the bank's action on internal audit recommendations.
- (7) Based on the assessment referred to in Paragraphs 2-6 of this Article, the Agency shall form an opinion and determine the final assessment of the adequacy of the level and control of the bank's interest rate risk in the banking book in the following manner:

Score	Opinion	Criteria
1	The level and control of interest rate risk in the banking book pose a low risk to the bank's viability.	<p><u>Risk level</u></p> <ul style="list-style-type: none"> - The sensitivity of the economic value of capital to changes in interest rates is low. - The sensitivity of earnings (net interest income) to changes in interest rates is low. - The sensitivity of the economic value of capital and net interest income to changes in underlying assumptions (e.g. products with embedded options) is low. - The internal indicators used by the bank to monitor risk are adequate and reliable. - Internal capital requirements for interest rate risk in the banking book are calculated conservatively and the bank has provided available capital to cover them. - The results of stress testing indicate a high level of confidence that the bank has the capacity to bear risk. <p><u>Risk control</u></p> <ul style="list-style-type: none"> - The organizational structure for interest rate risk in the banking book is transparent, efficient and stable, with clearly defined levels of authority and responsibility at all operational, organizational, management and governance levels and with compliance with the rules for preventing conflicts of interest. Clear operational and organizational separation of the transaction contracting function from the support and risk management function is ensured, including at management and governance levels. - The strategy and policy for interest rate risk in the banking book, as well as the defined risk appetite, are aligned with its business strategy. - The bank has established an efficient and reliable management system for interest rate risk in the banking book, which includes efficient and reliable processes and procedures for identifying, assessing, i.e. measuring, limiting and mitigating, monitoring and reporting on risk exposure. - The internal control system for interest rate risk in the banking book is adequate and reliable.

		<ul style="list-style-type: none"> - The bank has defined internal exposure limits, which enable the reduction or limitation of exposure to interest rate risk in the banking book and are aligned with the strategy, policy and risk appetite. - The internal audit function is staffed to provide an assessment on managing interest rate risk in the banking book, the quality of audit reports is at a high level, and the bank continuously undertakes measures to implement internal audit recommendations.
2	The level and control of interest rate risk in the banking book pose a medium-low risk to the bank's viability.	<p><u>Risk level</u></p> <ul style="list-style-type: none"> - The sensitivity of the economic value of capital to changes in interest rates is medium low. - The sensitivity of earnings (net interest income) to changes in interest rates is medium low. - The sensitivity of the economic value of capital and net interest income to changes in underlying assumptions (e.g. products with embedded options) is medium low. - Some indicators used by the bank to monitor interest rate risk in the banking book are not adequate and/or reliable, which leads to a slight underestimation of the level of risk, but the bank has undertaken actions to address the shortcomings. - Internal capital requirements for interest rate risk in the banking book are calculated conservatively and the bank has provided available capital to cover them. - The results of stress testing are still acceptable, but monitoring of the bank's risk-bearing capacity is necessary. <p><u>Risk control</u></p> <ul style="list-style-type: none"> - The organizational structure for interest rate risk in the banking book is generally transparent, efficient and stable, with clearly defined levels of authority and responsibility at all operational, organizational, management and governance levels and with compliance with rules to prevent conflicts of interest. Clear operational and organizational separation of the transaction contracting function from the support and risk management function is ensured, including at management and governance levels. - The strategy and policy for interest rate risk in the banking book, as well as the defined risk appetite, are aligned with its business strategy, but there is a need for improvement. - The bank has established an efficient and reliable management system for interest rate risk in the banking book, which includes efficient and reliable processes and procedures for identifying, assessing, i.e. measuring, limiting and mitigating, monitoring and reporting on risk exposure, but there is a need for improvement. - The internal control system for interest rate risk in the banking book is largely adequate and reliable. - The bank has defined internal exposure limits, which enable the reduction or limitation of exposure to interest rate risk in the banking book and are aligned with the strategy, policy and risk appetite. - The internal audit function is staffed to provide an assessment of managing interest rate risk in the banking book, the quality of audit reports is at an adequate level, and the bank continuously undertakes measures to implement internal audit recommendations.

3	The level and control of interest rate risk in the banking book pose a medium-high risk to the bank's viability.	<p><u>Risk level</u></p> <ul style="list-style-type: none"> - The sensitivity of the economic value of capital to changes in interest rates is medium high. - The sensitivity of earnings (net interest income) to changes in interest rates is medium high. - The sensitivity of the economic value of capital and net interest income to changes in underlying assumptions (e.g. products with embedded options) is medium high. - Deficiencies have been identified in some of the main indicators used by the bank to monitor risk. - It is necessary to improve the method of determining internal capital requirements for interest rate risk in the banking book and ensuring available capital to cover them. <p>The results of stress testing are poor and require the bank to undertake special measures and monitor them by the Agency.</p> <p><u>Risk control</u></p> <ul style="list-style-type: none"> - Deficiencies were identified in the organizational structure for interest rate risk in the banking book in terms of its transparency, efficiency and stability, and defined levels of authority and responsibility at some operational, organizational, management and governance levels, as well as certain shortcomings in compliance with the rules for preventing conflicts of interest. A clear operational and organizational separation of the transaction contracting function from the support and risk management function, including at management and governance levels, was not ensured in all cases. - The strategy and policy for interest rate risk in the banking book, and the defined risk appetite are generally aligned with its business strategy, but there is a need for their improvement. - The bank has established management system for interest rate risk in the banking book, which includes procedures for determining, assessing, i.e. measuring, limiting and mitigating, monitoring and reporting on risk exposure, but its improvement is necessary in order to ensure greater efficiency and reliability. - Deficiencies in the internal control system for interest rate risk in the banking book have been identified, and its improvement is necessary. - The bank has defined internal exposure limits, which enable the reduction or limitation of exposure to interest rate risk in the banking book and are generally aligned with the strategy, policy and risk appetite. - The internal audit function is staffed to provide an assessment of managing interest rate risk in the banking book, but the quality of audit reports needs to be improved, and although the bank is undertaking measures to implement internal audit recommendations, there are still a certain number of unimplemented recommendations.
4	The level and control of interest rate risk in the banking book pose a high risk to the bank's viability.	<p><u>Risk level</u></p> <ul style="list-style-type: none"> - The sensitivity of the economic value of capital to changes in interest rates is high. - The sensitivity of earnings (net interest income) to changes in interest rates is high. - The sensitivity of the economic value of capital and net interest income to changes in underlying assumptions (e.g. products with embedded options) is high. - The main indicators used by the bank to monitor risk are not adjusted or have major shortcomings. - The method of determining internal capital requirements for interest rate risk in the banking book and ensuring available capital to cover them needs to be significantly improved. - The results of the stress testing are critical and require immediate measures to be undertaken by the bank and careful monitoring of the implementation of these measures by the Agency.

		<p><u>Risk control</u></p> <ul style="list-style-type: none"> - The organizational structure for interest rate risk in the banking book is inadequate in terms of its transparency, efficiency and stability, defined levels of authority and responsibility at the operational, organizational, management and governance levels, and significant shortcomings have been identified in compliance with the rules for preventing conflicts of interest. A clear operational and organizational separation of the transaction contracting function from the support and risk management function, including at management and governance levels, has not been ensured. - The strategy and policy for interest rate risk in the banking book, and the defined risk appetite, are not aligned with its business strategy. - The bank has not established management system for interest rate risk in the banking book, which includes procedures for determining, assessing, i.e. measuring, limiting and mitigating, monitoring and reporting on risk exposure or the bank's established system is not adequate. - The internal control system for interest rate risk in the banking book is unreliable. - Internal exposure limits are not aligned with the strategy, policy and risk appetite. - The internal audit function is not staffed to provide an assessment of managing interest rate risk in the banking book, the quality of audit reports is inadequate, internal audit has not covered all risk areas and/or the bank does not implement its recommendations on an ongoing basis.
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Article 6

In Article 12, in the tabular overview of Paragraph 5, in the column Score 3, column Opinion: "The level and structure of the bank's regulatory capital pose a medium-high risk to the bank's viability.", in the column Criteria in line 5, the wording: "There is a moderate risk of excessive leverage." shall be amended and read as follows: "There is a medium level of excessive leverage risk."

Article 7

(1) In Article 13, in the table overview of Paragraph 6, in the column Score 1, column Opinion: "The bank's liquidity position and funding profile pose a low risk to the bank's viability.", in the column Criteria for Risk Level after line 4, a new line 5 shall be added and read as follows:

"- The bank has a realistic and credible funding source plan that is highly likely to be effectively implemented, i.e. there are no obstacles to securing the required funding sources."

The previous lines 5 and 6 shall become lines 6 and 7.

A new line 8 shall be added after the current line 7, which shall read as follows:

" - The results of the stress testing indicate a high degree of confidence in the bank's capacity to manage liquidity risk. "

(2) In Article 13, in the table overview of Paragraph 6, in the column Score 2, column Opinion: "The bank's liquidity position and funding profile pose a medium-low risk to the bank's viability.", in the column Criteria for Risk Level after line 4, a new line 5 shall be added and read as follows:

" - The bank has a realistic and credible funding source plan that carries some risk but is highly likely to be implemented effectively when needed, and there are no significant obstacles to securing the required funding sources."

The previous lines 5 and 6 shall become lines 6 and 7.

A new line 8 shall be added after the current line 7, which shall read as follows:

"- The results of the stress testing are still considered acceptable, but continuous monitoring of the bank's liquidity risk management capacity is necessary."

(3) In Article 13, in the table overview of Paragraph 6, in column Score 3, column Opinion: "The bank's liquidity position and funding profile pose a medium-high risk to the bank's viability.", in the column Criteria for Risk Level after line 4, a new line 5 shall be added and read as follows:

"- The bank has a funding source plan that is suspected of not being effectively implemented, and there are certain obstacles to securing the required funding sources."

The previous lines 5 and 6 shall become lines 6 and 7.

A new line 8 shall be added after the current line 7, which shall read as follows:

"- The results of the stress testing were assessed as unsatisfactory, and appropriate measures should be undertaken by the bank and their continuous monitoring by the Agency."

(4) In Article 13, in the table overview of Paragraph 6, in column Score 4, column Opinion: "The bank's liquidity position and funding profile pose a high risk to the bank's viability.", in the column Criteria for Risk Level after line 4, a new line 5 shall be added and read as follows:

"- The bank does not have a funding source plan or it is inadequate."

The previous lines 5 and 6 shall become lines 6 and 7.

A new line 8 shall be added after the current line 7, which shall read as follows:

"- The results of the stress testing indicate a significantly unfavorable level of resilience, which requires the bank to urgently undertake corrective measures with careful monitoring of their implementation by the Agency."

Article 8

In Article 16, after Paragraph 4, a new Paragraph 5 shall be added and read as follows:

"5) The frequency and scope of supervisory engagement for a bank identified by the Agency as a systemically important bank in accordance with the by-laws regulating the relevant area shall be determined in the same manner as for banks classified as large banks from Paragraph 2, Item 1) of this Article."

The previous Paragraph 5 shall become Paragraph 6.

Article 9

This Decision shall enter into force on the eighth day after its publication in the "Official Gazette of Republika Srpska".

Number: UO-257/26

Date: 25 February 2026

PRESIDENT OF THE
MANAGEMENT BOARD
Dejan Kusturić